

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Annual Compliance Report, 2020

Docket No. ACR2020

CHAIRMAN'S INFORMATION REQUEST NO. 3 AND  
NOTICE OF FILING UNDER SEAL

(Issued January 15, 2021)

To clarify the basis of the Postal Service's FY 2020 *Annual Compliance Report* (ACR), filed December 29, 2020,<sup>1</sup> the Postal Service is requested to provide written responses to the following questions. Answers should be provided to the individual questions as soon as they are developed, but no later than January 22, 2021.

**Competitive Domestic Negotiated Service Agreements**

1. Please see Attachment, filed under seal.

**Periodicals**

2. In Library Reference USPS-FY20-3, December 29, 2020, Excel file "FY20.3 WorksharingTables.xlsx," tab "Per. Bundle-Container Pricing," cell C52, the price for ONDC 5-Digit/Carrier Route Sacks is \$3.940. In United States Postal Service Notice 123 (Price List), effective January 26, 2020, the price for ONDC 5-Digit/Carrier Route Sacks is \$3.943. Please confirm that the correct price is \$3.943. If confirmed, please submit an updated Excel file "FY20.3 WorksharingTables.xlsx." If not confirmed, please explain.

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<sup>1</sup> United States Postal Service *Annual Compliance Report*, December 29, 2020 (FY 2020 ACR).

3. In Library Reference USPS-FY20-3, Excel file “FY20.3 WorksharingTables.xlsx,” tab “Per. Bundle-Container Pricing,” cell I21, the price for DADC 3-Digit/SCF Pallets is \$46.690. In United States Postal Service Notice 123 (Price List), effective January 26, 2020, the price for DADC 3-Digit/SCF Pallets is \$49.690. Please confirm that the correct price is \$49.690. If confirmed, please submit an updated Excel file “FY20.3 WorksharingTables.xlsx.” If not confirmed, please explain.
4. In FY 2020, Periodicals had a contribution of negative \$775 million. FY 2020 ACR at 28. Since the inception of the Postal Accountability and Enhancement Act in FY 2007, Periodicals had a cumulative contribution of negative \$8.163 billion.<sup>2</sup> The cost coverage for Periodicals declined from 64.01 percent in FY 2019 to 56.93 percent in FY 2020. FY 2020 ACR at 28. In prior *Annual Compliance Determinations*, the Commission has repeatedly expressed concerns over the increasing negative contribution and the declining cost coverage for Periodicals.<sup>3</sup> Please discuss the Postal Service’s plan to address the increasing negative contribution and the declining cost coverage for Periodicals.

### **Package Services**

5. Please refer to the discussion in the FY 2020 ACR on Media Mail and Library Mail in which the Postal Service notes that Media Mail and Library Mail does not fully cover its costs but states that it “remains committed to improving this product’s cost coverage.” FY 2020 ACR at 30-31. Other than attempting to increase revenue by instituting above-average price increases, does the Postal Service have any plans or initiatives to address and improve the cost coverage of

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<sup>2</sup> See Docket No. ACR2019, Library Reference PRC-LR-ACR2019-5, March 25, 2020. From FY 2007 through FY 2019, Periodicals had a cumulative contribution of negative \$7.389 billion.

<sup>3</sup> See Docket No. ACR2019, *Annual Compliance Determination*, March 25, 2020, at 24-32.

Media Mail and Library Mail? If so, please identify these plans or initiatives. If not, please explain.

### **Consumer Access**

6. In the FY 2020, Quarter 4 report on post office suspensions, the Postal Service stated that an organizational restructuring implemented on August 7, 2020 “impacted the Delivery Operations and the Field Performance group that coordinates” the Postal Service’s activities related to post office suspensions.<sup>4</sup>
  - a. Please explain in detail how the organizational restructuring impacted the Delivery Operations and the Field Performance group, as well as the Postal Service’s efforts and ability to resolve suspended post offices.
  - b. In past years, the Postal Service described several issues that have impeded its efforts to resolve suspended post offices, such as staff turnover and incomplete docket information from the field.<sup>5</sup> Please explain whether and how the organizational restructuring addresses these issues.
7. At the end of FY 2020, Quarter 3 (June 30, 2020), the Postal Service had only resolved 15 suspended post offices. See Docket No. ACR2019 Quarter 4 Report at 2. Please explain why the Postal Service was unable to resolve more suspended post offices before the organizational restructuring began on August 7, 2020.
8. On August 24, 2020, the Postal Service decided that “all customer-facing activities for the remaining 211 [suspended] Post Offices would be paused until January 2021.” FY 2020 ACR at 62. Please provide the rationale for pausing

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<sup>4</sup> Docket No. ACR2019, Notice of the United States Postal Service Regarding Filing of Post Office Suspension Information Update for FY20 Quarter 4, November 9, 2020, at 3 (Docket No. ACR2019 Quarter 4 Report).

<sup>5</sup> See Docket No. ACR2018, United States Postal Service *Annual Compliance Report*, December 28, 2018, at 63-64.

any action to resolve the operating status of the remaining 211 suspended post offices until January 2021.

9. In the FY 2020 ACR, the Postal Service states that it intends to reevaluate the status of each remaining suspended post office in 2021 to determine the proper course of action for each one. *Id.*
  - a. Please explain whether the Postal Service has started to reevaluate the status of each remaining suspended post office.
  - b. If the Postal Service has begun to reevaluate the suspended post offices, please describe all actions taken to date and provide an estimated date for completing the reevaluation process.
  - c. If the Postal Service has not begun to reevaluate the suspended post offices, please explain why and provide estimated dates for starting and completing the reevaluation process.
10. In the FY 2020 ACR, the Postal Service notes that if it determines that a suspended post office should not be reopened, it will then need to determine the status of the discontinuance process for that post office. *Id.* It states, “[w]here appropriate, the Postal Service will prepare to start these processes in 2021. For instance, suspended offices that posted notices to complete due diligence in 2020 will have to re-post, repeat other steps outlined in Handbook PO-101, and, if necessary, conduct new community meetings.” *Id.*
  - a. Please explain whether the Postal Service has restarted or resumed the post office discontinuance process for any of the remaining suspended post offices during FY 2021.
    - i. If the Postal Service has restarted or resumed the discontinuance process, please provide a list of the affected suspended post offices, identify where each one is in the post office discontinuance process, and provide anticipated next steps.

- ii. If the Postal Service has not yet restarted or resumed the discontinuance process, please explain why and provide an estimated date for restarting or resuming the discontinuance process for the remaining suspended post offices.
  - b. Please describe the circumstances under which a suspended post office that posted notices to complete due diligence in 2020 would have to “re-post, repeat other steps outlined in Handbook PO-101, and, if necessary, conduct new community meetings.” *Id.*
- 11. Please describe any other actions taken or efforts made by the Postal Service during FY 2021 to resolve the remaining suspended post offices.
- 12. In the FY 2019 ACD, the Commission directed the Postal Service to provide in the FY 2020 ACR “a detailed plan and timeline for resolving all remaining suspended post offices, including post offices suspended between FY 2017 and FY 2020.”<sup>6</sup> In the FY 2020 ACR, the Postal Service states that it cannot provide an updated timeline until it can reevaluate the status of each remaining suspended post office. FY 2020 ACR at 63. Please provide an estimated date for providing the Commission a new timeline and plan for resolving the remaining suspended post offices, including those suspended from FY 2017 through FY 2021.
- 13. Please submit the most recent version of Handbook PO-101, Post Office Discontinuance Guide.

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<sup>6</sup> Docket No. ACR2019, *Annual Compliance Determination*, March 25, 2020, at 144 (FY 2019 ACD).

**Market Dominant Service Performance**

14. The Postal Service reported that it issued two Processing Operations Management Orders (POMOs) during early FY 2020 to “guide the field in reducing the cycle time by complying with First-In-First-Out (FIFO) and mail flow procedures for Periodicals and flat-shaped [USPS] Marketing Mail” and would monitor that plant managers certified that each POMO was issued to employees.<sup>7</sup>
- a. Please confirm that 100 percent of plant managers completed certification. If not confirmed, please state what percentage of plant managers did not complete certification in FY 2020 and explain what actions the Postal Service will take to ensure 100 percent certification is achieved in FY 2021.
  - b. Please explain the steps taken by the Postal Service during the remainder of FY 2020 to mitigate failure to comply with the POMOs regarding FIFO and mail flow procedures for Periodicals and flat-shaped USPS Marketing Mail.
  - c. Please provide any results from the Cycle Time Diagnostics tool that are used to quantify reductions in cycle time for Periodicals and USPS Marketing Mail in FY 2020, as compared to FY 2019, by quarter.

**First-Class Mail Service Performance**

15. Please provide the on-time service performance results for 3-5-Day First-Class Single Piece Letters/Postcards at both the National and Area levels for each pay period of FY 2019 and FY 2020. If the Postal Service is unable to provide this information, please explain why.

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<sup>7</sup> Docket No. ACR2019, Responses of the United States Postal Service to Questions 3-5 of Chairman’s Information Request No. 13, February 18, 2020, question 3.b.

16. Please refer to Library Reference USPS-FY20-29, December 29, 2020, Excel files "FY20 FCM Q1 SPFC PFCM Root Cause Point Impact Ranking by Quarter for Nation.xlsx" and "FY20 FCM Q1 SPFC PFCM Root Cause Point Impact Ranking by Quarter for Area.xlsx." Please provide point impact data for the aggregation of the data for Quarters 3 and 4 of FY 2020 (second-half of FY 2020). See FY 2019 ACD at 120.
17. Library Reference USPS-FY20-29, Excel file "FY20 FCM Q1 SPFC PFCM Root Cause Point Impact Ranking by Quarter for Nation.xlsx," tab "SPFC" displays the point impact sum of the listed root causes for 3-5-Day First-Class Mail Single-Piece Letters/Postcards for FY 2020 as 20.51 points. The difference between 100 percent and the FY 2020 3-5-Day First-Class Mail Single-Piece Letters/Postcards on-time percentage result (79.7) is 20.3 points.
  - a. Please explain why the point impact sum of the listed root causes for 3-5-Day First-Class Mail Single-Piece Letters/Postcards for FY 2020 (20.51) does not equal the point difference between 100 percent and the FY 2020 on-time percentage result (20.3).
  - b. Library Reference USPS-FY20-29, Excel file "FY20 FCM Q1 SPFC PFCM Root Cause Point Impact Ranking by Quarter for Nation.xlsx," tab "SPFC" displays the point impact sum of the listed root causes for 2-Day First-Class Mail Single-Piece Letters/Postcards for FY 2020 as 8.01 points. The difference between 100 percent and the FY 2020 2-Day First-Class Mail Single-Piece Letters/Postcards on-time percentage result (92.0) is 8.0 points. Please confirm that the reason(s) described in part a also apply to the difference between the point impact sum of the listed root causes for 2-Day First-Class Mail Single-Piece Letters/Postcards for FY 2020 (8.01) and the point difference between 100 percent and the FY 2020 on-time percentage result (8.0). If not confirmed, please explain.

18. Library Reference USPS-FY20-29, Excel file "FY20 FCM Q1 SPFC PFCM Root Cause Point Impact Ranking by Quarter for Nation.xlsx," tab "PFCM" displays the point impact sum of the listed root causes for 3-5-Day First-Class Mail Presorted Letters/Postcards for FY 2020 as 9.70 points. The difference between 100 percent and the FY 2020 3-5-Day First-Class Mail Presorted Letters/Postcards on-time percentage result (90.2) is 9.8 points.
- a. Please explain why the point impact sum of the listed root causes for 3-5-Day First-Class Mail Presorted Letters/Postcards for FY 2020 (9.70) does not equal the point difference between 100 percent and the FY 2020 on-time percentage result (9.8).
  - b. Library Reference USPS-FY20-29, Excel file "FY20 FCM Q1 SPFC PFCM Root Cause Point Impact Ranking by Quarter for Nation.xlsx," tab "PFCM" displays the point impact sum of the listed root causes for 2-Day First-Class Mail Presorted Letters/Postcards for FY 2020 as 6.86 points. The difference between 100 percent and the FY 2020 2-Day First-Class Mail Presorted Letters/Postcards on-time percentage result (93.0) is 7.0 points. Please confirm that the reason(s) described in part a. also apply to the difference between the point impact sum of the listed root causes for 2-Day First-Class Mail Presorted Letters/Postcards for FY 2020 (6.86) and the point difference between 100 percent and the FY 2020 on-time percentage result (7.0). If not confirmed, please explain.
  - c. Library Reference USPS-FY20-29, Excel file "FY20 FCM Q1 SPFC PFCM Root Cause Point Impact Ranking by Quarter for Nation.xlsx," tab "PFCM" displays the point impact sum of the listed root causes for 1-Day First-Class Mail Presorted Letters/Postcards for FY 2020 as 4.96 points. The difference between 100 percent and the FY 2020 1-Day First-Class Mail Presorted Letters/Postcards on-time percentage result (94.9) is 5.1 points. Please confirm that the reason(s) described in part a also apply to the



difference between the point impact sum of the listed root causes for 1-Day First-Class Mail Presorted Letters/Postcards for FY 2020 (4.96) and the point difference between 100 percent and the FY 2020 on-time percentage result (5.1). If not confirmed, please explain.

19. Library Reference USPS-FY20-29, Excel file “FY20 FCM Q1 SPFC PFCM Root Cause Point Impact Ranking by Quarter for Nation.xlsx” disaggregates point impact data for the First-Class Mail Flats into presorted and single-piece. Please provide point impact data at the product level for each service standard (overnight, 2-Day, and 3-5-Day).

### **USPS Marketing Mail Service Performance**

20. As part of its plan to improve service performance for USPS Marketing Mail in FY 2020, the Postal Service stated that headquarters would monitor compliance of local site management and craft personnel with the following operational requirements: processing USPS Marketing Mail in First-In-First-Out (FIFO) order, running to daily processing capacity, complying with the Run Plan Generator (RPG), staging and scanning mailpieces correctly, and using visualization and analytical tools.<sup>8</sup>
  - a. Please explain how the Postal Service’s progress in ensuring that local sites adhere to these operational requirements impacted on-time service performance for USPS Marketing Mail in FY 2020.
  - b. For each impact identified in response to part a. of this question, please provide quantitative support and identify the metric(s) used. If quantitative support is unavailable for an identified impact, please so state, explain why it is unavailable, and provide qualitative analysis in support of the identified impact.

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<sup>8</sup> Docket No. ACR2019, Library Reference USPS-FY19-29, December 27, 2019, file “FY19-29 Service Performance Report.pdf,” at 14.

21. The Postal Service captures service performance results for USPS Marketing Mail pieces for which the exact product category is unknown in one of the Mixed Product Letters and Mixed Product Flats categories.<sup>9</sup> Please describe the Postal Service's plans to increase product-level measurement for USPS Marketing Mail in FY 2021.
22. The Postal Service states that "[a]lthough our emphasis on the importance of Marketing Mail has not changed, our field units worked diligently to balance mail volumes in their facilities with limited employee availability and other impacts of the pandemic."<sup>10</sup>
- a. Please describe what steps the field units took to balance mail volumes and how doing so impacted on-time service performance for USPS Marketing Mail in FY 2020.
  - b. For each impact identified in response to part a. of this question, please provide quantitative support and identify the metric(s) used. If quantitative support is unavailable for an identified impact, please so state, explain why it is unavailable, and provide qualitative analysis in support of the identified impact.
  - c. How did the Postal Service take into account political and election mail in balancing mail volumes in FY 2020?

### **Periodicals Service Performance**

23. The Postal Service uses a proxy for service performance measurement for In-County Periodicals.<sup>11</sup>

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<sup>9</sup> Library Reference USPS-FY20-29, file "FY20-29 Service Performance Report.pdf," at 14.

<sup>10</sup> Library Reference USPS-FY20-29, file "FY20-29 Service Performance Report.pdf," at 16.

<sup>11</sup> Library Reference USPS-FY20-29, file "FY20-29 Service Performance Report.pdf," at 18.

- a. Please describe the Postal Service's plans to develop an actual measurement for In-County Periodicals. If the Postal Service does not plan to develop an actual measurement for In-County Periodicals, please explain the rationale.
  - b. Please compare and contrast how the COVID-19 pandemic impacted In-County Periodicals versus Outside County Periodicals. Please provide relevant supporting justification.
24. As part of its plan to improve service performance for Periodicals in FY 2020, the Postal Service stated that it would work to ensure that local sites process Periodicals in FIFO order, run to daily processing capacity, comply with the RPG, use visualization and analytical tools such as the Grid, and minimize Work in Process cycle time.<sup>12</sup>
- a. Please explain how the Postal Service's progress in ensuring that local sites adhere to these operational requirements impacted on-time service performance for Periodicals in FY 2020.
  - b. For each impact identified in response to part a. of this question, please provide quantitative support and identify the metric(s) used. If quantitative support is unavailable for an identified impact, please so state, explain why it is unavailable, and provide qualitative analysis in support of the identified impact.
25. As part of its plan to improve service performance for Periodicals in FY 2020, the Postal Service stated that it was piloting an initiative to provide industry mail preparers with actionable data to correct preparation and/or quality issues.<sup>13</sup>

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<sup>12</sup> Docket No. ACR2019, Library Reference USPS-FY19-29, file "FY19-29 Service Performance Report.pdf," at 18.

<sup>13</sup> Docket No. ACR2019, Library Reference USPS-FY19-29, file "FY19-29 Service Performance Report.pdf," at 19.

- a. Please describe the status of this initiative at the end of FY 2020.
  - b. Please explain how the Postal Service's progress related to this initiative impacted on-time service performance for Periodicals in FY 2020.
  - c. For each impact identified in response to part b. of this question, please provide quantitative support and identify the metric(s) used. If quantitative support is unavailable for an identified impact, please so state, explain why it is unavailable, and provide qualitative analysis in support of the identified impact.
26. As part of its plan to improve service performance for Periodicals in FY 2020, the Postal Service stated that it was developing an initiative to improve visibility into manually processed flat bundles.<sup>14</sup>
- a. Please describe the status of this initiative at the end of FY 2020.
  - b. Please explain how the Postal Service's progress related to this initiative impacted on-time service performance for Periodicals in FY 2020.
  - c. For each impact identified in response to part b. of this question, please provide quantitative support and identify the metric(s) used. If quantitative support is unavailable for an identified impact, please so state, explain why it is unavailable, and provide qualitative analysis in support of the identified impact.

By the Chairman.

Robert G. Taub

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<sup>14</sup> Docket No. ACR2019, Library Reference USPS-FY19-29, file "FY19-29 Service Performance Report.pdf," at 19-20.